

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

ION GEOPHYSICAL CORPORATION et al.,¹

Debtors.

)
) Chapter 11
)
) Case No. 22-30987 (MI)
)
) (Joint Administration Requested)
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)
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**DECLARATION OF MIKE MORRISON, EXECUTIVE VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER OF ION GEOPHYSICAL CORPORATION, IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Mike Morrison, hereby declare under penalty of perjury:

1. I am the Executive Vice President and Chief Financial Officer of ION Geophysical Corporation (“ION Geophysical” and together with its subsidiaries, collectively, “ION”) a publicly-traded company and one of the above-captioned debtors and debtors in possession (collectively, the “Debtors”). I have served in this role since August 2020. Prior to becoming Chief Financial Officer, I held a variety of senior positions in finance, treasury, and accounting at ION and supported a number of capital-market transactions. I have been with ION since June 2002. Before joining ION, I served as a director of accounting, providing transaction support for an energy-trading company and also served as an audit manager at Deloitte. I hold a Bachelor of Business Administration from Texas A&M University.

2. As Chief Financial Officer, I am responsible for overseeing ION’s financial activities, including, but not limited to, monitoring cash flow and financial planning. As a result

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor’s federal tax-identification number (if any), are: ION Geophysical Corporation (6646); I/O Marine Systems, Inc. (3230); ION Exploration Products (U.S.A.), Inc. (1394); and GX Technology Corporation (0115). The location of the Debtors’ service address is 4203 Yoakum Blvd., Suite 100, Houston, Texas 77006.

of my tenure with ION, my review of public and non-public documents, and my discussions with other members of ION's management team, I am generally familiar with ION's business, financial condition, policies and procedures, day-to-day operations, and books and records. Except as otherwise noted, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from ION's employees or retained advisors that report to me in the ordinary course of my responsibilities. I am authorized by each of the Debtors to submit this declaration on their behalf. References to the Bankruptcy Code (as defined herein), the chapter 11 process, and related legal matters are based on my understanding of such in reliance on the explanation provided by, and the advice of, counsel. If called upon to testify, I would testify competently to the facts set forth in this declaration.

3. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), with the United States Bankruptcy Court for the Southern District of Texas (the "Court"). To minimize the adverse effects on their business, the Debtors have filed motions and pleadings seeking various types of "first day" relief (collectively, the "First Day Motions"). I submit this declaration to assist the Court and parties in interest in understanding the circumstances compelling the commencement of these chapter 11 cases and in support of the Debtors' chapter 11 petitions and First Day Motions filed contemporaneously herewith.

Introduction

4. Headquartered in Houston, Texas with regional offices around the world, ION Geophysical Corporation ("ION Geophysical" and, together with its Debtor and non-debtor subsidiaries, collectively, "ION") is an innovative, asset-light global technology company that delivers data-driven decision-making offerings to offshore energy and maritime operations

markets. ION operates through two key business segments—Exploration and Production Technology & Services (“EPTS”) and Operations Optimization (“OO”). Within the EPTS segment, ION creates digital data assets on a proprietary and multi-client basis and delivers services to help exploration and production (“E&P”) companies improve decision-making, reduce risk, and maximize value. The OO segment develops mission-critical software and technology that enable operational control and optimization offshore. In that regard, ION provides survey design, command and control software systems and related services for marine towed and seabed operations and develops intelligent hardware and devices to optimize operations.

5. ION Geophysical is a public company that has been listed on the NASDAQ since 1991 and the New York Stock Exchange (“NYSE”) since November of 1994 under the ticker “IO”. As of the Petition Date, the Debtors have approximately \$147,627,690 million of funded debt, including principal and accrued interest, consisting of:

- a first lien revolving credit facility (the “Revolving Credit Facility”) with approximately \$15,600,000 in outstanding principal amount of borrowings, in addition to approximately \$30,559 of accrued and unpaid interest;
- the 8.00% second lien notes (the “Second Lien Notes”) due December 15, 2025, with approximately \$116,193,000 in aggregate principal amount outstanding, in addition to approximately \$7,804,684 of accrued and unpaid interest; and
- the original 9.125% second lien notes that were subsequently amended to release the second priority security interest in the collateral (the “Unsecured Notes”), with approximately \$7,097,000 in aggregate principal amount that matured on December 15, 2021, in addition to approximately \$902,447 of accrued and unpaid interest.

6. Demand for ION’s goods and services is largely impacted by oil and gas prices. When commodity prices fall, E&P companies have less cash to invest and allocate capital to their highest return assets, a process often referred to as “high-grading”. Exploration offerings and data purchases are often discretionary and, therefore, receive disproportionately higher reduction rates than overall budget cuts. During 2020, the E&P industry faced the dual impact of demand

deterioration from COVID-19 and market oversupply from increased production, which caused oil and natural gas prices to decline significantly for most of 2020. Consequently, there has been a material slowdown in offshore seismic spending since the second quarter of 2020, which negatively impacted ION's liquidity levels.

7. Despite signs of gradual market improvement in 2021, energy companies' strategy of capital conservation remained firmly in place. As a result, ION's 2021 revenues were lower than expected causing increased liquidity constraints. Moreover, ION faced significant near-term obligations coming due in the fourth quarter of 2021, including principal and interest in the amount of approximately \$7.7 million on the Unsecured Notes and interest in the amount of approximately \$4.6 million on the Second Lien Notes.

8. The Debtors' management team has worked proactively to address these market challenges. As early as January 2020, ION commenced several cost-saving measures, including reduced compensation arrangements across ION's global workforce and a reduction in force and elimination of open and vacant full-time positions of 90 employees and open positions, or over 17% of its workforce during 2020. In addition, and as set forth in greater detail below, in April 2021 ION executed an exchange offer to extend the maturity of its then existing second lien notes until 2025 at a lower interest rate with additional consideration of cash and common stock of ION Geophysical offered to existing noteholders. In parallel, ION commenced a rights offering for the benefit of ION Geophysical's existing shareholders, resulting in net new capital for ION of \$14 million. In 2021, ION also conducted another reduction in force and elimination of open and vacant full-time positions of 83 employees and open positions, or over 19% of its workforce during 2021. In 2022 through the Petition Date, ION has further reduced its full-time employee base

down by another 45 full-time positions through furlough programs or elimination of open and vacant positions. Since early 2020, ION has reduced its full-time employee base by over 45%.

9. Recognizing the need to address ION's ongoing liquidity challenges, ION initiated a process to evaluate a range of strategic alternatives to strengthen its financial position and maximize stakeholder value. To assist with this evaluation process, ION engaged Perella Weinberg Partners LP (together with its corporate advisory affiliates, "PWP"). PWP conducted a prepetition marketing process commencing in September 2021, targeting a broad range of potential counterparties, with a focus on strategic bidders interested in either bidding on ION as a whole or pursuing a transaction for any of its individual operating segments. This process initially yielded one formal non-binding bid for ION's seismic data assets, two formal non-binding bids for ION's software business, one formal non-binding bid for ION's devices business line, and one formal non-binding bid for a combination of the software and devices business lines. In December 2021, following three months of active marketing that yielded no actionable bids at sufficient price levels, ION and its advisors began preparing for a potential bankruptcy filing and commenced discussions with key stakeholders, including an ad hoc group of holders of Second Lien Notes (the "Ad Hoc Group"). After those discussions commenced, PWP continued to solicit additional indications of interest and engage with interested parties and PWP has pursued that process up until the bankruptcy filing.

10. Due to the results of the marketing process, in early February 2022, the Ad Hoc Group and the Debtors began discussing potential alternative restructuring options. As part of this process, the Debtors provided the creditors' advisors substantial diligence and the parties held numerous telephone conferences among both advisors and principals. Concurrently with the diligence process, the Debtors and the Ad Hoc Group began to engage in high-level discussions

about potential restructuring transaction structures that became progressively more detailed as the Ad Hoc Group came to better understand the Debtors' enterprise.

11. In order to facilitate continued discussions, help ION preserve liquidity, and continue the forbearance period, on March 7, 2022, certain members of the Ad Hoc Group purchased all outstanding loans, advances, rights, duties, obligations, and commitments under the Revolving Credit Agreement (as defined below) from PNC Bank, National Association ("PNC"), as agent and lender under the Revolving Credit Facility, as set forth in more detail below.

12. After months of extensive negotiations, the Debtors ultimately negotiated a comprehensive restructuring transaction with the Ad Hoc Group, pursuant to which such lenders have agreed to (a) provide the Debtors with a \$2.5 million debtor-in-possession financing facility (the "DIP Facility") and continued access to cash collateral, (b) to the extent the prepetition claims under the Revolving Credit Facility are not paid in full in cash, convert their remaining claims into an exit facility, and (c) convert their claims under the Second Lien Notes into 99.75% of the equity of the reorganized company, subject to dilution on account of the management incentive plan, in each case as set forth in that certain Restructuring Support Agreement, dated as of April 12, 2022 (the "Restructuring Support Agreement") and the chapter 11 plan of reorganization filed contemporaneously herewith (the "Plan").

13. The Plan includes a sale "toggle" feature allowing for potential sales to third parties supported by the lenders. As noted herein, ION has three primary business lines: (a) EPTS, (b) Software, and (c) Devices (Software and Devices comprise the OO business segment). Accordingly, one or more of the business lines could be sold pursuant to the sale process with any remaining assets reorganized pursuant to the Plan. In the event all assets are sold pursuant to the sale process, the Debtors would not move forward with the plan of reorganization as it would no

longer be necessary. This process will allow the Debtors to market test the transaction contemplated by the Restructuring Support Agreement and the Plan and run a comprehensive marketing process to ensure the Debtors obtain the highest or otherwise best offer, or combination of offers, for the Debtors' assets.

14. As of the Petition Date, Supporting Creditors holding 100% of the claims under the Revolving Credit Facility (the "RCF Claims") and approximately 80.4% of the claims under the Second Lien Notes (the "Second Lien Notes Claims") have signed the Restructuring Support Agreement (collectively, the "Supporting Creditors"). The proposed transaction, whether consummated through the debt-for-equity transaction or a sale transaction, will resolve these chapter 11 cases, will cut off the expense of the bankruptcy, and will permit the Debtors to distribute value to their stakeholders in a timely manner.

15. To that end, the Debtors have filed a motion to establish procedures that will allow the Debtors to run a proposed plan and marketing process in parallel. In addition, the Debtors have filed a motion to conditionally approve the disclosure statement and establish certain key dates and deadlines with respect to confirmation of the Plan. These dates and deadlines are critical to driving the Debtors' restructuring to an efficient and value-maximizing conclusion and comply with the milestones under the Restructuring Support Agreement, including confirmation of the Plan and entry of the sale orders, as applicable, within 87 days of the Petition Date. Approval of the following dates and deadlines related to the proposed bidding procedures and the proposed Plan confirmation schedule will allow the Debtors to move expeditiously through chapter 11, which will in turn ensure compliance with the milestones.

Event	Date
Voting Record Date	April 22, 2022

Bid Procedures Hearing / Hearing for Conditional Approval of the Disclosure Statement	April 26, 2022
Solicitation Deadline	May 3, 2022
Deadline to Submit Bids	June 2, 2022
Auction (if any)	June 6, 2022
Deadline to Object to Sale Transactions	June 8, 2022
Deadline to File Plan Supplement	Seven (7) days prior to the Plan and Disclosure Statement Objection Deadline
Sale Hearing	June 16, 2022
Voting Deadline	June 24, 2022
Deadline to Object to Plan and Disclosure Statement	June 24, 2022
Combined Hearing	July 1, 2022

16. Prior to the commencement of these chapter 11 cases, the Debtors also focused on obtaining financing and the use of cash collateral that would be sufficient to sustain their business during the pendency of these chapter 11 cases. Through their investment banker, the Debtors solicited offers for debtor-in-possession financing from third-party lenders, including large commercial and investment banks and other sophisticated, alternative investment institutions. In parallel, the Debtors also solicited offers from their existing prepetition lenders.

17. Ultimately, the Debtors did not receive any actionable proposals from third parties on terms that were comparable to or better than those proposed by the Debtors' existing lenders. Accordingly, and as part of the Restructuring Support Agreement, certain Supporting Creditors committed to provide the Debtors with debtor-in-possession financing in the form of (a) \$2,500,000 in new money term loans. A summary of the key terms of the DIP Facility is included in the *Debtors' Emergency Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to (I) Obtain Postpetition Financing, (II) Use Cash Collateral, (III) Grant Senior Secured Liens and Provide Claims with Superpriority Administrative Expense Status, and (IV) Grant*

Adequate Protection to the Prepetition Secured Parties, (B) Modifying the Automatic Stay, (C) Scheduling a Final Hearing, and (D) Granting Related Relief filed contemporaneously herewith (the “DIP Motion”). By the DIP Motion, the Debtors also seek authority to use cash collateral to help fund the administration of the chapter 11 cases.

18. To familiarize the Court with the Debtors, its business, the circumstances leading up to these chapter 11 cases, and the relief the Debtors are seeking in the First Day Motions, I have organized this declaration into four sections. **Part I** provides background on ION’s corporate history and operations. **Part II** offers detailed information on ION’s prepetition capital structure. **Part III** describes the circumstances leading up to the filing of these chapter 11 cases. **Part IV** summarizes the relief requested in and the legal and factual basis that support the First Day Motions.

I. CORPORATE HISTORY AND OPERATIONS

A. ION’s Corporate History

19. ION was originally founded in 1968 as a provider of highly specialized, seismic source synchronization equipment. In 1988, ION introduced System One, an advanced land seismic acquisition system capable of recording more than 8,000 channels of data. System One made 3D seismic surveys cost-effective on land, helping the exploration and production (“E&P”) industry make the transition from 2D to 3D data acquisition. Shortly thereafter in 1991, ION launched System Two, the first 24-bit distributed seismic acquisition system that dramatically increased the dynamic range of recorded seismic signals, helping to improve subsurface images. System Two also allowed 3D seismic surveys to emphasize signal enhancement, which greatly enhanced data and image quality. ION Geophysical became publicly traded on the NASDAQ in 1991 and was listed on the New York Stock Exchange in November of 1994.

20. Over the next several years ION made a series of strategic acquisitions to further advance its technology and service offerings, which included the 2004 acquisition of GX Technology Inc., a leading provider of advanced seismic data processing and subsurface imaging solutions, and Concept Systems Ltd., a leading supplier of real-time navigation and data integration software and services.

21. In parallel, ION remained committed to developing technology to improve seismic image quality and reduce exploration and production risk for E&P operators and geophysical services providers. Most notably, in 2018 ION launched an enterprise version of its proprietary Marlin™ software to more broadly optimize offshore operations and continue advancing maritime digitization. In 2020, ION also commercialized its proprietary Gemini™ extended frequency source technology following a successful survey deployment in the Gulf of Mexico. This new source technology addresses industry demand for increased geophysical fidelity in complex geologies while satisfying both improved operational and environmental performance.

22. As a result of these initiatives and ION's dedication to improving seismic imaging technology, increasing operational efficiency of the acquisition process in the field, shortening the time associated with the planning-acquisition-processing cycle, and reducing the environmental impact of seismic operations throughout the world, ION has remained a leading technology innovator in the field.

B. ION's Current Operations

23. While the traditional focus of the Company's technology has been on the E&P industry, ION is focused on diversifying its business into new markets such as energy logistics, port management, and maritime monitoring. ION's offerings remain focused on improving subsurface knowledge to enhance E&P decision-making and improving situational awareness to

optimize offshore operations. Today, ION serves customers in most major energy producing regions of the world from strategically located offices across the globe.

24. As noted above, ION provides its services and products through two business segments: EPTS and OO. In addition, ION retains a 49% ownership interest in INOVA, a joint-venture with BGP, a subsidiary of China National Petroleum Corporation.

1. EPTS Business Segment

25. The EPTS business segment creates digital data assets and delivers services to help E&P companies improve decision-making, reduce risk, and maximize value. Across the E&P lifecycle, ION's offerings focus on driving customer decisions, such as which blocks to bid on and for how much, how to maximize portfolio value, where to drill wells, or how to optimize production. Within EPTS, ION has two key service offerings: Imaging Services and Ventures

26. ION's Imaging Services group licenses, processes, and images 2D and 3D data for customers on a proprietary basis, however, the majority of these resources also support ION's high potential return Ventures business. Generally, the proprietary work is complex, which allows ION to leverage its advanced technology and collaborate with customers to solve their toughest challenges. Overall, ION maintains approximately 19 petabytes of digital seismic data storage through its global data centers, including its core data center in Houston, Texas.

27. ION's Ventures group leverages the geoscience skills of the Imaging Services group to create global data assets that are licensed to multiple E&P companies to optimize their investment decisions. ION's global data library consists of over 745,000 kilometers of 2D and over 410,000 square kilometers of 3D multi-client seismic data in virtually all major offshore petroleum provinces. In addition, Ventures provides services to manage seismic data surveys, from survey planning and design to data acquisition and management, to final subsurface imaging and reservoir characterization. In that regard, ION focuses on the technologically intensive

components of the image development process, such as survey planning and design, data processing and interpretation, while outsourcing asset-intensive components, such as field acquisition, to experienced contractors.

2. Operations Optimization Business Segment

28. The OO segment develops mission-critical software and technology that enable operational control and optimization offshore. ION's advanced systems improve situational awareness, communication, and risk management to enable rapid, informed decisions in challenging offshore environments. This segment is comprised of ION's Software business line and Devices business line.

29. The Software business line provides survey design, command, and control software systems and related services for marine towed streamer and seabed operations, which spans mission critical subscription offerings that enable maritime operational control and optimization. These offerings are commonly known as Orca, Gator, and MESA SimSurvey within the industry. ION's Software business line is also focused on creating high value information dashboards that drive efficiency in resource utilization, reductions in HSE exposure, and greenhouse gas emissions for oil companies and port authorities. For example, ION's Marlin™ software helps manage ION's complex survey operations to optimize maritime detection, port management, and energy logistics.

30. ION's Devices business line develops, manufactures, and repairs marine towed streamer and seabed data acquisition technology, sensors, and compasses that have been deployed in marine robotics, defense, E&P, and other commercial applications. The Devices group features a wide range of core competencies spanning navigation, acoustic communication, sensing, underwater positioning and control, power, telemetry, and battery technology.

II. CORPORATE STRUCTURE AND SUMMARY OF PREPETITION DEBT

31. As set forth on the structure chart attached hereto as **Exhibit A**, ION Geophysical owns, directly, or indirectly, each of the other three Debtor subsidiaries. All of the Debtors are obligors, as either borrowers or guarantors, of ION's prepetition funded debt. As set forth in greater detail below, on April 20, 2021, ION completed (a) an offer to exchange a majority of its existing 9.125% senior secured second priority notes due 2021 (the "Old Second Lien Notes") for the newly issued Second Lien Notes and other consideration in the form of cash and common stock of ION Geophysical (the "Exchange Offer") and (b) a rights offering to the holders of common stock in ION Geophysical (the "Rights Offering"). The Exchange Offer and Rights Offerings contributed to ION's prepetition capital structure.

32. As of the Petition Date, ION has approximately \$138,890,000 million in total funded debt obligations, consisting of: (a) \$15,600,000 in aggregate principal amount outstanding under the Revolving Credit Facility; (b) approximately \$116,193,000 in aggregate principal amount outstanding under the Second Lien Notes; and (c) approximately \$7,097,000 in aggregate principal amount outstanding under the Unsecured Notes. The following table summarizes ION's prepetition capital structure:

Funded Debt	Maturity	Outstanding Principal Amount as of April 12, 2022
Revolving Credit Facility	August 16, 2023	\$15,600,000
Second Lien Notes	December 15, 2025	\$116,193,000
Unsecured Notes	December 15, 2021	\$7,097,000
Total Funded Debt		\$138,890,000

A. The Revolving Credit Facility

33. The Debtors are party to that certain Credit Agreement, dated as of August 22, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the "Revolving Credit Agreement"), by and among each of the Debtors and non-debtor GX Geoscience

Corporation, S.de R.L. de C.V. (“GX Mexico”), as borrowers, the agent, and the lenders from time to time party thereto, which is comprised of the Revolving Credit Facility in an aggregate principal amount drawn and outstanding of approximately \$15,600,000, plus accrued and unpaid interest. Obligations arising under the Revolving Credit Facility are secured by first priority liens on substantially all of the Debtors’ assets, subject to customary exceptions and exclusions. The security interest in non-debtor GX Mexico, however, is capped at \$5,000,000 in accordance with the Revolving Credit Agreement and related credit documents. The Revolving Credit Facility matures on August 16, 2023.

34. On March 7, 2022, certain members of the Ad Hoc Group (the “Purchasing Lenders”) purchased all outstanding loans, advances, rights, duties, obligations, and commitments under the Revolving Credit Agreement, from PNC, as lender pursuant to the terms and conditions of that certain Master Commitment Transfer Supplement, among PNC and the Purchasing Lenders. In connection with such transfer, ION Geophysical, certain of its affiliates, PNC, and Ankura Trust Company, LLC (“Ankura”) entered into an Agent Transfer Agreement, dated as of March 8, 2022, pursuant to which Ankura replaced PNC as agent under the Revolving Credit Agreement.

35. As of the Petition Date, there is approximately \$15,600,000 in outstanding principal amount of borrowings under the Revolving Credit Agreement, in addition to approximately \$30,559 of accrued and unpaid interest and fees.

B. Second Lien Notes

36. As part of the Exchange Offer and Rights Offering, the Debtors entered into that certain Indenture dated April 20, 2021 (as amended, restated, supplemented, or otherwise modified from time to time, the “Second Lien Notes Indenture”), by and among ION Geophysical, as issuer, the other Debtors and GX Mexico, as guarantors, and UMB Bank, National Association, as trustee (the “Second Lien Notes Trustee”). The Second Lien Notes are secured by second priority liens

on substantially all of the Debtors' assets, subject to customary exceptions and exclusions. The Second Lien Notes bear interest at a rate of 8.00% per annum, payable on June 15th and December 15th of each year, and mature on December 15, 2025. As of the Petition Date, approximately \$116,193,000 remains outstanding under the Second Lien Notes Indenture, in addition to approximately \$7,804,684 of accrued and unpaid interest.

C. Unsecured Notes

37. As part of the Exchange Offer, that certain Indenture dated April 28, 2016, by and among ION Geophysical, as issuer, the other Debtors and non-debtor GX Mexico, as guarantors, and Wilmington Savings Funds Society, FSB, as trustee, was amended by that certain First Supplemental Indenture, dated as of April 20, 2021, which, among other things, provided for the release of the second priority security interest in the collateral (the "Supplemental Notes Indenture"). Accordingly, the holders of the Old Second Lien Notes that did not participate in the Exchange Offer, continued to hold notes under the Supplemental Notes Indenture on an unsecured basis. The Unsecured Notes in the aggregate amount of approximately \$7,097,000 matured on December 15, 2021. As of the Petition Date, the principal amount of the Unsecured Notes remains unpaid, in addition to approximately \$902,447 of accrued and unpaid interest.

D. Preferred and Common Stock

38. As noted above, ION Geophysical is a public company listed on the New York Stock Exchange. As of the Petition Date, ION had approximately 29,579,991 shares of common stock and one share of preferred stock outstanding. The preferred stock was issued to the Second Lien Notes Trustee in connection with the Exchange Offer and Rights Offering.

E. PPP Loan

39. On April 11, 2020, ION Geophysical entered into a Note Agreement (the "PPP Loan") with PNC in the aggregate amount of \$6,923,400 pursuant to the Coronavirus Aid, Relief,

and Economic Security Act's Paycheck Protection Program. Amounts under the PPP Loan bore interest at a rate of 1.0% per annum beginning on the six-month anniversary of the date of the PPP Loan. The PPP Loan was scheduled to mature two years after receipt of the loan proceeds. On June 16, 2021, however, ION Geophysical received notice of forgiveness from the Small Business Administration for the full amount of the PPP Loan including all accrued interest. The proceeds from the PPP Loan were applied against qualifying expenditures during the second and third quarters of 2020.

III. CIRCUMSTANCES LEADING UP TO THE RESTRUCTURING AND PREPETITION RESTRUCTURING EFFORTS

A. Factors Causing the Debtors' Liquidity Strain

40. The COVID-19 pandemic caused the global economy to enter a recessionary period beginning in the second quarter of 2020. During 2020, the E&P industry faced the dual impact of demand deterioration from COVID-19 and market oversupply from increased production, which caused oil and natural gas prices to decline significantly for most of 2020. The sharp commodity-price decline triggered E&P companies to reduce budgets by approximately 25%. When commodity prices fall, E&P companies have less cash to invest and allocate capital to their highest return assets. Exploration offerings and data purchases are often discretionary and, therefore, receive disproportionately higher reduction rates than overall budget cuts. Consequently, there was a material slowdown in offshore seismic spending since the second quarter of 2020, which negatively impacted ION's liquidity levels.

41. In 2021, the global economy surpassed pre-pandemic levels and Brent crude prices, which are most relevant to ION's internationally focused business, rebounded above pre-pandemic levels. While this reflected a continued expectation of rising oil demand as both global economic activity and COVID-19 vaccination rates increased, combined with ongoing crude oil production

limits from member of OPEC and partner countries, energy companies' capital discipline persisted. As a result, the offshore seismic market remained challenging throughout 2021 and E&P companies continued portfolio rationalization and high-grading to find the best return on investment. Despite signs of gradual market improvement, ION's 2021 revenues were lower than expected causing increased liquidity constraints.

42. Moreover, ION faced significant near-term obligations coming due in the fourth quarter of 2021, including principal and interest in the amount of approximately \$7.7 million on the Unsecured Notes and interest in the amount of approximately \$4.6 million on the Second Lien Notes. Additionally, ION needed sufficient liquidity to maintain ongoing operations, including paying its seismic acquisition partners and royalty obligations. Accordingly, it became apparent that without an additional cash infusion or relief from its existing debt obligations, ION would likely not be able to continue to operate as a going concern through the first quarter of 2022.

B. Cost-Saving Initiatives

43. To mitigate the impact of COVID-19 and oil price volatility, ION implemented a series of initiatives to preserve cash and manage liquidity which resulted in cost-savings of approximately \$40 million as a result of the following:

- Beginning in January 2020, ION began to scale down personnel costs and operating expenses. These reductions were primarily implemented through a variety of furlough programs, reduced compensation arrangements across ION's global workforce, and a reduction in force and elimination of open and vacant positions of 90 employees and open positions, or over 17% of its workforce during 2020. For example, ION executives took a 20% base salary reduction, and a tiered reduction scheme was cascaded to the rest of the global workforce. In addition, ION's board of directors took a 20% reduction in directors' fees. ION further made efforts to curtail the use of external contractors, decreased travel and event costs, and implemented new systems and processes to more efficiently support its business;
- ION reduced capital expenditures to reflect both seismic demand and travel/border restrictions impacting new data acquisition offshore;

- ION applied for various governmental assistance programs, including the \$6.9 million PPP Loan referenced above;
- ION re-negotiated existing lease agreements for its significant locations to obtain rent relief; and
- ION extended payment terms to its key vendors in an effort to judiciously manage its liquidity.

44. In addition, ION in 2021 has implemented further cost-reduction programs, identified through a combination of both short-term and long-term reductions in an effort to right-size its business. Measures taken included further reductions in force and elimination of vacant and open full-time positions of 83 employees and open positions, or over 19% of its workforce during 2021. In 2022 through the Petition Date, ION has further reduced its full-time employee base down by another 45 full-time positions through furlough programs or elimination of open and vacant positions. Since early 2020, ION has reduced its full-time employee base by over 45%. Further, ION discontinued its 401(k) employee match contribution program and further reduced board of directors' fees by 50%. The management plan reflects ION's continued focus on preserving cash and managing liquidity in the current uncertain macroeconomic environment. In addition, ION continues to work closely with its clients to understand their budgets and spending priorities and to scale its business appropriately.

C. Exchange Offer and Rights Offering

45. To address the impending maturity of the Old Second Lien Notes, on February 11, 2021, ION entered into an amended and restated restructuring support agreement supported by holders of the Old Second Lien Notes representing approximately 90% of the aggregate principal amount of all Old Second Lien Notes, which were joined by certain other holders of the Old Second Lien Notes together representing an aggregate of 92% of the total holders of Old Second Lien Notes, to effectuate the Exchange Offer and Rights Offering. The Exchange Offer and Rights

Offering allowed ION to extend the maturity of the Old Second Lien Notes by four years to December 2025 by exchanging such notes for the Second Lien Notes with a lower interest of 8.00% per annum and a combination of cash and common stock of ION Geophysical. Given the dilutive effect the Exchange Transaction would have on the outstanding common stock of ION Geophysical, shareholders had the opportunity to participate in the concurrent Rights Offering. ION completed the Exchange Offer and Rights Offering on April 21, 2021. As part of the Exchange Offer and Rights Offering, ION received approximately \$14 million in net proceeds, after deducting noteholder obligations, estimated transaction fees, and accrued and unpaid interest.

46. While the Company completed the Exchange Offer and Rights Offering and revenues improved, the timing of the market recovery remains uncertain, and overall revenues were lower than expected. Though the revenues generated were expected to have a positive impact on ION's near-term liquidity, they were ultimately not sufficient to fund ION's operations and meet the ION's near-term debt and other obligations.

D. Strategic Alternatives Process

47. Recognizing the need to address ION's ongoing liquidity challenges, as announced on September 15, 2021, ION initiated a process to evaluate a range of strategic alternatives to strengthen its financial position and maximize stakeholder value while it continued to assess conditions in the capital markets and right-size the business. To assist with this evaluation process, ION engaged PWP.

48. As part of this strategic alternatives process, PWP conducted a comprehensive prepetition marketing process, targeting a broad range of potential counterparties, with a focus on strategic bidders interested in either bidding on ION as a whole or pursuing a transaction for an individual operating segment. External outreach commenced the week of September 20, 2021, with an initial deadline of October 20, 2021 for non-binding indications of interest. Of the 67

potential bidders canvassed, 19 parties executed non-disclosure agreements and were granted access to the electronic data room, which contains significant diligence and other confidential information regarding ION's businesses and assets.

49. This process initially yielded one formal non-binding bid for ION's seismic data assets, two formal non-binding bids for ION's software business, one formal non-binding bid for ION's devices business line, and one formal non-binding bid for a combination of the software and devices business lines. In evaluating the bids received, the Debtors analyzed, among other considerations: (a) the structure of the proposed transaction; (b) the form and amount of consideration offered; (c) the assets to be acquired and liabilities to be assumed; and (d) execution or other risks.

50. In parallel, ION and its advisors began preparing for a potential bankruptcy filing and commenced discussions with key stakeholders. Based on the outcomes of the prepetition marketing process, discussion with key stakeholders, real-time business results, and available liquidity, the Debtors, with guidance from the board of directors, ultimately concluded that filing these chapter 11 cases was the optimal course to strengthen ION's financial position and maximize stakeholder value.

E. Forbearance Agreements

1. First Forbearance

51. As a result of ION's diminishing liquidity position, ION did not make the principal and interest payments on the Unsecured Notes of approximately \$7,744,601.25 that became due and owing on the maturity date of December 15, 2021, triggering an immediate event of default under the Supplemental Notes Indenture. ION also elected to defer the approximately \$4,647,720 interest payment that became due on the Second Lien Notes on December 15, 2021, resulting in

an event of default under the Second Lien Notes Indenture upon the expiration of the 30-day grace period.

52. On January 14, 2022, ION and PNC, as agent and lender, entered into that certain Forbearance and Fifth Amendment to Revolving Credit and Security Agreement, pursuant to which PNC agreed to forbear, through and including February 15, 2022, from enforcing or exercising its rights and remedies upon a cross-default that would have otherwise occurred under the Revolving Credit Agreement after ION did not pay the scheduled interest payment on December 15, 2021 under the Second Lien Notes Indenture prior to the expiration of the 30-day grace period. In addition, ION and PNC agreed, among other things, that (a) ION would pay down the outstanding balance under the Revolving Credit Agreement by \$2.5 million, reducing the total commitment to approximately \$16.85 million, (b) the interest rate under the Revolving Credit Agreement would shift to the base rate beginning in February 2022 at an effective rate of 6.25% per annum, (c) the cash dominion and covenant testing trigger would be set at below \$5.0 million for U.S. non restricted cash for five consecutive business days, and (d) the royalty payable reserve would be removed from the borrowing base calculation.

53. In addition, ION also entered into that certain Forbearance Agreement (as amended, restated, supplemented, or otherwise modified from time to time, the “Second Lien Forbearance Agreement”) on January 14, 2022, with holders of more than 79% of the outstanding Second Lien Notes, pursuant to which such noteholders agreed to forbear, through and including February 15, 2022, from enforcing, or taking any action to direct the Second Lien Notes Trustee to enforce, their rights and remedies arising as a result of ION’s failure to make the December 15, 2021 interest payment.

2. Second Forbearance

54. On February 14, 2022, ION and PNC entered into that certain Second Forbearance and Fifth Amendment to Revolving Credit and Security Agreement, pursuant to which PNC agreed to further forbear, through and including March 8, 2022, from enforcing or exercising its rights and remedies upon a cross-default that would have otherwise occurred under the Revolving Credit Agreement after ION did not pay the scheduled interest payment on December 15, 2021 under the Second Lien Notes Indenture prior to the expiration of the 30-day grace period. In addition, ION and PNC agreed, among other things, that (a) ION would pay down the outstanding balance under the Revolving Credit Agreement by an additional \$1.25 million, reducing the total commitment to approximately \$15.6 million, and (b) the cash dominion and covenant testing trigger would be set at below \$3.75 million for U.S. non restricted cash for five consecutive business days.

55. Similarly, on February 14, 2022, ION also entered into an amendment to the Second Lien Forbearance Agreement with holders of more than 79% of the outstanding Second Lien Notes, pursuant to which such noteholders agreed to further forbear, through and including March 8, 2022, from enforcing, or taking any action to direct the Second Lien Notes Trustee to enforce, their rights and remedies arising as a result of ION's failure to make the December 15, 2021 interest payment.

3. Third Forbearance

56. After the Purchasing Lenders acquired the Revolving Credit Facility, on March 8, 2022, ION entered into a First Amendment to the Second Forbearance and Seventh Amendment, pursuant to which the Purchasing Lenders agreed to further forbear, through and including April 4, 2022, from enforcing or exercising its rights and remedies upon the cross-default that would have otherwise occurred under the Revolving Credit Agreement after ION did not pay the scheduled interest payment on December 15, 2021 under the Second Lien Notes Indenture prior to the expiration of the 30-day grace period. The Purchasing Lenders did not require ION to use

its limited available liquidity to make a further paydown of the Revolving Credit Facility as a condition to obtaining the forbearance.

57. ION also entered into another amendment to the Second Lien Forbearance Agreement with holders of more than 79% of the outstanding Second Lien Notes, pursuant to which such noteholders agreed to further forbear, through and including April 4, 2022, from enforcing, or taking any action to direct the Second Lien Notes Trustee to enforce, their rights and remedies arising as a result of ION's failure to make the December 15, 2021 interest payment.

4. Fourth Forbearance

58. On April 4, 2022, ION entered into a Second Amendment to the Second Forbearance and Seventh Amendment, pursuant to which the Purchasing Lenders agreed to further forbear, through and including April 10, 2022, from exercising remedies under the Revolving Credit Agreement. ION also entered into another amendment to the Second Lien Forbearance Agreement with holders of more than 79% of the outstanding Second Lien Notes, pursuant to which such noteholders agreed to further forbear, through and including April 10, 2022, from exercising remedies under the Second Lien Notes. In advance of the Petition Date, the forbearances were extended through and including April 12, 2022.

F. Restructuring Transactions

59. Beginning in December 2021, the Ad Hoc Group signed non-disclosure agreements to engage in discussions regarding the Debtors strategic alternatives process and prepetition marketing efforts on a confidential basis in advance of a potential chapter 11 filing. After the continued prepetition marketing process yielded no actionable proposals at sufficient price levels, the Ad Hoc Group and the Debtors began discussing restructuring proposals in earnest. As part of this process, the Debtors provided the advisors to the Ad Hoc Group with substantial diligence, and the parties held numerous telephone conferences among both advisors and principals.

Concurrently with the diligence process, the Debtors and the Ad Hoc Group began to engage in high-level discussions about potential restructuring transaction structures that became progressively more detailed as the Ad Hoc Group came to understand the Debtors' enterprise, including their operations, liquidity needs, and contractual obligations. As noted above, as part of these negotiations, to help the Debtors maintain liquidity and continue the forbearance, the Ad Hoc Group purchased all of PNC's advances, rights, duties, obligations, and commitments under the Revolving Credit Agreement.

60. As a result of these efforts, the Debtors and a majority of the Second Lien Noteholders and holders of RCF Claims reached an agreement on the terms of a restructuring transaction and entered into a Restructuring Support Agreement on April 12, 2022. The terms of the restructuring transaction were further incorporated into the Plan attached to the Restructuring Support Agreement as an exhibit. As of the Petition Date, Supporting Creditors holding 100% of the RCF Claims and approximately 80.4% of the Second Lien Notes Claims have signed the Restructuring Support Agreement. The Debtors believe that the restructuring transactions embodied in the Restructuring Support Agreement and Plan presents the best option to maximize the value of the Debtors' estates for the benefit of all stakeholders in a timely manner.

61. More specifically, the Restructuring Support Agreement and Plan contemplate the following:

- certain Supporting Creditors have committed to provide the Debtors with the DIP Facility and the use of cash collateral;
- each holder of an RCF Claim shall receive (a) payment in cash in full, (b) to the extent not paid in full in cash, its pro rata share of an exit facility, or (c) reinstatement or modification of its RCF Claim as agreed to by the Debtors and the lenders;
- each holder of a Second Lien Notes Secured Claim shall receive its pro rata share of 99.75% of the equity of the reorganized debtors, subject to dilution on account of the management incentive plan;

- each holder of a general unsecured claim shall receive its pro rata share of the GUC Recovery Pool²;
- each holder of prepetition common stock issued by ION Geophysical shall receive its pro rata share of and interests in 0.25% of the equity of the reorganized debtors, subject to dilution on account of the management incentive plan; and
- all prepetition preferred stock issued by ION Geophysical shall be cancelled, released, and extinguished.

62. The transaction embodied in the Plan and the Restructuring Support Agreement will be subject to a market test. Accordingly, the Debtors will be conducting a comprehensive marketing process in parallel to determine, in the Debtors' business judgment, if any sale or combination of sales are higher or otherwise better than the proposed lender transaction set forth in the Restructuring Support Agreement and Plan.

IV. Evidentiary Support for First Day Motions

63. Contemporaneously herewith, the Debtors have filed a number of First Day Motions seeking orders granting various forms of relief intended to stabilize their business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and smooth restructuring. The First Day Motions include the following:

- *Notice of Designation as Complex Chapter 11 Bankruptcy Case;*
- *Debtors' Emergency Motion for Entry of an Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief;*

² The GUC Recovery Pool is defined in the Plan as "cash in the amount of \$125,000 (the "Initial GUC Recovery Pool")"; provided, that (i) if the aggregate fees and expenses of the advisors to the Committee incurred during the Chapter 11 Cases (the "Incurred Committee Professional Fees") is less than the aggregate fees and expenses for the advisors to the Committee set forth in the Initial DIP Budget (the "Committee Professional Fee Allocation"), then the Initial GUC Recovery Pool shall be increased by the difference between the Committee Professional Fee Allocation and the Incurred Committee Professional Fees and (ii) if the Incurred Committee Professional Fees is greater than the Committee Professional Fee Allocation, then the Initial GUC Recovery Pool shall be reduced by the difference between the Incurred Committee Professional Fees and the Committee Professional Fee Allocation (in each case, the results of the foregoing calculations shall be referred to as the "Final GUC Recovery Pool"); provided, further that the Final GUC Recovery Pool shall never be less than \$0".

- *Debtors' Emergency Motion for Entry of an Order (I) Waiving the Requirement to File a List of Equity Security Holders, (II) Authorizing the Debtors to Redact Certain Personal Identification Information, (III) Approving the Form and Manner of Notice of the Commencement of These Chapter 11 Cases, and (IV) Granting Related Relief;*
- *Debtor's Emergency Motion for Entry of an Order (I) Extending Time to File (A) Schedules of Assets and Liabilities, (B) Schedules of Current Income and Expenditures, (C) Schedules of Executory Contracts and Unexpired Leases, (D) Statements of Financial Affairs, and (E) Rule 2015.3 Financial Reports and (II) Granting Related Relief;*
- *Debtors' Emergency Motion for Entry of an Order (I) Restating and Enforcing the Worldwide Automatic Stay, Anti-Discrimination Provisions, and Ipso Facto Protections of the Bankruptcy Code, (II) Permitting the Debtors to Modify the Automatic Stay, (III) Approving the Related Form and Manner of Notice, and (IV) Granting Related Relief;*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to (I) Obtain Postpetition Financing, (II) Use Cash Collateral, (III) Grant Senior Secured Liens and Provide Claims with Superpriority Administrative Expense Status, and (IV) Grant Adequate Protection to the Prepetition Secured Parties, (B) Modifying the Automatic Stay, (C) Scheduling a Final Hearing, and (D) Granting Related Relief;*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System, (B) Maintain Existing Business Forms, and (C) Perform Intercompany Transactions, and (II) Granting Related Relief;*
- *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief;*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Critical Vendor Claims, Foreign Claims, Lien Claims, and 503(b)(9) Claims (II) Confirming Administrative Expense Priority of Outstanding Purchase Orders, and (III) Granting Related Relief;*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Continue Insurance Coverage Entered into Prepetition and Satisfy Prepetition Obligations Related Thereto, (II) Renew, Amend, Supplement, Extend, or Purchase Insurance Policies, (III) Honor the Terms of the Premium Financing Agreement and Pay Premiums Thereunder, and (IV) Enter into New Premium Financing Agreements;*

- *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock or Preferred Stock and (II) Granting Related Relief;*
- *Debtor's Emergency Motion for Entry of an Order (I) Authorizing the Payment of Certain Prepetition Taxes and Fees and (II) Granting Related Relief; and*
- *Debtor's Emergency Motion for Entry of an Order (A)(I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Services, and (III) Approving the Debtors' Proposed Procedures for Resolving Adequate Assurance Requests, and (B) Granting Related Relief.*

64. The First Day Motions seek authority to, among other things, access post-petition financing and cash collateral, honor employee-related wages and benefits obligations, pay claims of vendors and suppliers to ensure that the Debtors' business operations are not disrupted by these chapter 11 cases, and continue the Debtors' cash-management system and other operations in the ordinary course of business with as minimal interruption as possible on account of the commencement of these chapter 11 cases. Importantly, the Debtors request immediate access to the DIP Facility and cash collateral to ensure that the Debtors have sufficient liquidity to continue operating during these chapter 11 cases. Without prompt access to the DIP Facility and cash collateral, the Debtors would be unable to satisfy employee compensation obligations, satisfy trade payables incurred in the ordinary course of business, and fund the administration of these chapter 11 cases.

65. I am familiar with the content and substance contained in each First Day Motion and believe that the relief sought in each motion (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity and value, (b) constitutes a critical element in the Debtors' achieving a successful reorganization, and (c) best serves the Debtors' estates and creditors' interests. I have reviewed each of the First Day Motions, and the facts set forth therein are true and correct and incorporated herein in their entirety by reference. If asked to

testify as to the facts supporting each of the First Day Motions, I would testify to the facts as set forth in such motions.

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In accordance with 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: April 12, 2022

/s/ Mike Morrison

Mike Morrison
Executive Vice President and Chief Financial
Officer

Exhibit A

Corporate Structure Chart

